

# Harris: Start-ups adapting to lean times

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Remember when the phrase "New Economy" suggested a tech-powered tide lifting all boats? Now as countries, companies and the rest of us try to navigate stormy financial straits, a little start-up called NuConomy is getting some good-natured guff.

"Everybody kind of laughs at our name right now," NuConomy Chief Executive Shahar Nechmad said at a business expo Tuesday at the Plug & Play Tech Center in Sunnyvale.

Yet even with the newest economy fraught with peril — just ask the Yahoo alumni association — Nechmad says his start-up, an online advertising analytics firm with backing from global ad giant WPP, is angling for a second round of financing to try to expand while many companies large and small are cutting back. More capital, Nechmad said, is needed for NuConomy to compete with the likes of Google and Omniture. "I definitely think we'll get it," he said.

And how much money is he seeking? "With everything that's going on right now? As much as I can take."

Getting as much as possible is one of the urgent imperatives in the new start-up economy — and so is squeezing as much value as possible from the cash on hand.

"Good Times, R.I.P." read the tombstone that opened up Sequoia Capital's now-famous recent slide show (viewable at [mercurynews.com](http://mercurynews.com))

and [siliconvalley.com](http://siliconvalley.com)), which was designed to impress leaders of its portfolio companies to "batten down the hatches" for a tempest of uncertain duration.

To belabor the metaphor, it also means tossing employees overboard. While Yahoo made headlines Tuesday with news that it would lay off 10 percent of its workforce — about 1,400 employees — the valley is home to hundreds of smaller companies that have begun cutting or are considering it.

For example, Ruckus Wireless, a Sequoia-backed company featured in a recent Mercury News article with the headline "Tightening the Belt," this week decided to lay off nine of its 150 employees.

The business expos at Plug & Play and other venues — they seem to come along every week— offer a quick read on the changing climate in the Silicon Valley ecosystem. One panel Tuesday featured representatives from Google, Microsoft, Yahoo, Cisco Systems, Oracle, Symantec and Facebook, most of which are actively scouting out acquisitions. With the market for initial public offerings effectively closed, VCs are increasingly targeting start-ups for acquisition.

Yet while VCs frown about the barren IPO market, the event served to underscore the valley's abiding significance in the global economy. Entrepreneurs from around the world are still trekking to Silicon Valley to seek venture funding and do deals. **Several companies were showcased at Plug & Play via the ANZA Technology Network, an Australian and New Zealand alliance to help home-grown companies do business in the United States. The "elevator pitch" competition had an Olympian flavor. In addition to the companies from "down under," the event featured dozens of companies with roots in Asia, Europe, Israel, Canada and Mexico. And the USA, of course.**

NuConomy typifies a trend: Its roots and research and development are in Israel, while Nechmad runs the business from San Francisco to tap the global online marketplace. NuConomy is part of Microsoft's start-up accelerator program.

In high school, Nechmad said, he dreamed of building the next Microsoft or Google. NuConomy was founded in 2006 and launched in the United States only eight months ago. As he seeks a new round of funding, Nechmad hopes to have VCs competing for the opportunity to

invest. But to get as much money as possible, he said, he knows he'll have to sacrifice more equity to investors.

"That's something you have to live with," he said.

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